

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 59

(Senator Rosapepe)

Budget and Taxation

Income Tax - Resident

This bill reduces, from six to three months, the amount of time an individual may maintain a place of abode in the State during the taxable year (whether domiciled in the State or not) before the individual is considered a statutory resident for Maryland income tax purposes. **The bill takes effect July 1, 2025, and applies to tax year 2025 and beyond.**

Fiscal Summary

State Effect: General fund revenues are affected beginning in FY 2026; however, the bill's overall effect on general fund revenues is unclear at this time, as discussed below. Expenditures are not directly affected.

Local Effect: Local income tax revenues are affected beginning in FY 2026; however, the bill's overall effect on local income tax revenues is unclear at this time. Local expenditures are not affected.

Small Business Effect: Indeterminate.

Analysis

Current Law: "Resident," as it applies to Maryland income tax law, is an individual, other than a fiduciary, who (1) is domiciled in the State on the last day of the taxable year or (2) maintained a place of abode in the State for more than six months of the taxable year, whether domiciled in the State or not (statutory resident).

State/Local Revenue Effect: As noted above, State general fund revenues and local income tax revenues are affected beginning in fiscal 2026; however, due to data limitations,

and given the potentially wide-ranging effects of the bill's change, the overall effect on State and local revenues is unclear at this time. It is unknown how many individuals would be considered statutory residents under Maryland income tax due to the contemplated change, the amount of their Maryland taxable income, and how the change would alter the calculation of their Maryland taxable income and eligibility for Maryland income tax credits. Further, the Comptroller's Office notes that the bill's alteration to the definition of "resident" under Maryland income tax may be vulnerable to legal challenge and/or have implications for Maryland's reciprocal income tax agreements with Pennsylvania, Virginia, West Virginia, and the District of Columbia.

Individuals subject to the State income tax but not the county income tax pay a special nonresident tax at a rate equal to the lowest county income tax rate (currently 2.25%), the proceeds of which accrue to the State general fund. Thus, the bill presumably diverts general fund revenues from the special nonresident tax to the county income tax, the precise effect of which cannot be reliably estimated at this time due to the factors discussed above.

Small Business Effect: The potential effect on small business partnerships, S corporations, limited liability companies, and sole proprietorships is unclear at this time due to the factors discussed above.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 183 (Delegate Charkoudian) - Ways and Means.

Information Source(s): Maryland Association of Counties; Comptroller's Office; Department of Legislative Services

Fiscal Note History: First Reader - January 21, 2025
km/hlb

Analysis by: Elizabeth J. Allison

Direct Inquiries to:

(410) 946-5510

(301) 970-5510